FILED
9-05-14
01:29 PM

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769	Rulemaking 14-08-013 (Filed August 14, 2014)

COMMENTS OF THE ALLIANCE FOR RETAIL ENERGY MARKETS ON ORDER INSTITUTING RULEMAKING

Sue Mara
RTOADVISORS, L.L.C.
164 Springdale Way
Redwood City, CA 94062
Telephone: (415) 902-4108
E-mail: sue.mara@rtoadvisors.com

CONSULTANT TO
ALLIANCE FOR RETAIL ENERGY MARKETS

September 5, 2014

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Regarding Policies, Procedures and Rules for Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769	Rulemaking 14-08-013 (Filed August 14, 2014)

COMMENTS OF THE ALLIANCE FOR RETAIL ENERGY MARKETS ON ORDER INSTITUTING RULEMAKING

The Alliance for Retail Energy Markets[1] ("AReM") submits these comments on the *Order Instituting Rulemaking Regarding Policies, Procedures and Rules for the Development of Distribution Resources Plans Pursuant to Public Utilities Code Section 769* ("OIR"), as specified in the rulemaking.[2] In these comments, AReM stresses the importance of preserving and enhancing a competitive market framework that will support the high level of innovation necessary to achieve the full benefits of increasing the use of existing and new distributed energy resources ("DERs") at the lowest possible costs, and ensuring that the Distribution Resources Plans ("DRPs") are maximally effective.

AReM also notes that there are now several active proceedings that will impact distributed generation, including Rulemaking ("R") 12-06-013 on residential rate reform, R.14-02-007 on net metering tariff modifications, and R.11-09-011 on distribution interconnection

[1] AReM is a California non-profit mutual benefit corporation formed by electric service providers that are active in the California's direct access market. This filing represents the position of AReM, but not necessarily that of a particular member or any affiliates of its members respect to the issues addressed herein.

[2] OIR, page 10.

issues. AReM requests that the Commission issue some guidance on how and at what stages these proceedings will be inter-related.

I. COMMENTS

The OIR contains a list of sixteen questions to elicit comments that will assist the Commission's implementation of Public Utilities Code Section 769, which requires that the utilities' DRPs:

> must provide a roadmap for integrating cost-effective DERs into the planning and operations of IOUs' electric distribution systems with the goal of yielding net benefits to ratepayers.[3]

While AReM does not have responses at this time to all the questions that have been posed,[4] AReM responds to selected Questions below that are most relevant and critical to competitive market issues that the Commission should fully consider in this proceeding as the Commission determines what should – and should not – be included in the utilities' DRPs. AReM's decision to not provide specific responses to other questions is not meant to suggest that the other topics are unimportant, especially those related to safety considerations, which AReM acknowledges are of paramount concern as the distribution system is modified to adapt to the growing use of DERs. Rather, it is only meant to signify that those other questions do not touch directly on the competitive market issues that AReM seeks to have included in this proceeding.

Question #1: What specific criteria should the Commission consider to guide the IOUs' development of DRPs, including what characteristics, requirements and specifications are necessary to enable a distribution grid that is at once reliable, safe, resilient, cost-efficient, open to distributed energy resources, and enables the achievement of California's energy and climate goals?

[3] OIR, page 4.
[4] OIR, pages 6-8.

AReM Response: AReM believes that the primary goal of the DRPs should be to ensure that customers have the maximum flexibility to deploy distributed generation resources at their homes and businesses, subject to careful and thorough safety requirements, and explicit attention to the avoidance of unwarranted cost shifting among customer classes and among customers within specific customer classes. Toward this end, one important criterion would be that the process of interconnecting DERs to the grid must be straightforward and standardized for all customers and as much as possible across the IOUs. In addition, the criteria must ensure that all customers have equal access to interconnection with the distribution grid, with no preference given to utility-owned distributed resources, or to resources located on utility-owned property. To facilitate this outcome, all information developed by the IOUs with respect to optimal locations for DERs should be publicly available. Finally, programs to support the deployment of DERs should not confer special subsidies to utility programs or otherwise impinge on competitive neutrality, as such subsidies would undermine the ability for third parties to compete to provided distributed generation services to customers.

Question #3: What specific criteria should be considered in the development of a calculation methodology for optimal locations of DERs?

AReM Response: AReM recognizes that some locations will be easier to interconnect to the distribution system than others, and that such factors are important when customers are deciding whether and where to deploy DERs. However, in many cases, DERs will be deployed in connection with customers' desires to better manage their energy usage and costs at their homes or business sites, and to meet their environmental goals; therefore the idea of "optimal locations" must not be focused entirely on the distribution system itself. Instead, consideration of optimal locations must include a full understanding of customer's goals in deploying DERs. As noted in

the response to Question #1, all data collected and analyzed by the IOUs to determine optimal locations and the results of their analysis should be publicly available.

Question #4: What specific values should be considered in the development of a locational value of DER calculus? What is optimal means of compensating DERs for this value?

AReM Response: First and foremost, DERs serve as supply resources, and as such will have energy and capacity value. Just as conventional generation resources have specific locational values, DERs too will confer locational value at the distribution level. Determining the precise locational value will require, at least to some extent, the IOUs' distribution systems operations to be integrated with the CAISO transmission system operations. The details of this integration should be a key focus of this proceeding, so that the locational benefits of DERs can be fully reflected and integrated into the resource adequacy construct for which the CAISO and CPUC share jurisdiction. In addition to integration of the transmission and distribution operations, the markets that are managed by the CAISO need to include these new resources in a transparent manner so that parties who buy and sell DERs can manage the risks involved in deploying these new technologies.

Question #11: What considerations should the Commission take into account when defining how the DRPs should be monitored over time?

AReM Response: The first consideration in defining how DRPs should be monitored over time is whether the DRP has resulted in increased deployment of DERs, and whether there is vigorous and robust competition in the DER markets. A second key consideration in monitoring the DRPs should be whether the utilities' interconnection procedures are viewed by market participants as successfully assisting in the deployment of DERS in a non-discriminatory manner.

Question #12: What principles should the Commission consider in setting criteria to govern the review and approval of the DRPs?

AReM Response: See the response to Question #1. In addition to the points made there, AReM notes that increases in distribution generation must be fully reflected in both the Long Term Procurement Planning ("LTPP") process and Resource Adequacy ("RA") proceedings to ensure that customers are not saddled with redundant or unnecessary procurement that increases costs.

Question #13: Should the DRPs include discussion of how ownership of the distribution may evolve as DERs start to provide distribution reliability services? If so, briefly discuss those areas where utility, customer and third party ownership are reasonable?

AReM Response: AReM suspects that this question centers on issues associated with micro-grids that would support highly localized deployment of DER systems that include supply-side resources and storage technologies. Whether such systems should be owned by the distribution utilities, or whether they should be owned by customers or other third parties, and can be managed safely under such ownership requires much more study.

Question #16: Appendix B to this rulemaking is a white paper that articulates one potential set of criteria that could govern the IOUs DRPs. Please review the attached paper and answer the following questions:

- **Integrated Grid Framework: the paper opens by presenting an 'Integrated Grid Framework,' what additions or modifications would you suggest be made to this framework?**
- **Integrated Distribution Planning: what, if any, additions or modifications would you suggest to the Integrated Distribution Planning section of this paper?**
- **Distribution System Design-Build: what, if any, additions or modifications would you suggest to the Distribution System Design-Build section of this paper?**
- **Integrated Distribution System Operations: what, if any, additions or modifications would you suggest to the Integrated Distribution System Operations section of this paper?**
- **Integration of DER into Operations: what, if any, additions or modifications would you suggest to the Integration of DER into Operations section of this paper?**

- **Integrated Grid Roadmap: what, if any, additions or modifications would you suggest to the Integrated Grid Roadmap section of this paper?**

AReM Response: AReM has reviewed the *More Than Smart* whitepaper, and agrees with many of the themes set forth in it. First, and of particular note, AReM fully endorses the following statement:

> Essential to achieving this outcome is enabling customer choice via an electric distribution system that becomes an open, integrated electric network plant that is ***more than smart***.[5]

With direct access customer choice at or very near the current statutory cap, customer choice in California is not at an acceptable stage to properly assist in the economic and efficient deployment of increasing levels of distributed generation. None of California's environmental initiatives is more customer-centric than distributed generation, and a key feature to engender customer engagement should be to stimulate competition to serve them and help them devise energy portfolios that make the maximum use of existing and new technologies in the most cost-effective manner possible. The Commission should consider ways that it can support enhanced customer choice in order to accelerate distributed generation deployment.

Second, AReM believes that the Guiding Principles for Distribution Planning, Distribution System Design-Build, Distribution System Operations, and DER Integration into Operations are well-thought out and appropriate, especially with respect to the following:

> Principle 1: The need for scenario driven integrated planning analysis framework. This will be particularly important with respect to the development of micro-grids. Should micro-grids become prevalent and efficient, the role of the utility will fundamentally change, and the potential for this outcome needs to be fully understood

[5] OIR, Appendix B, *More Than Smart,* page 3.

to guide utility distribution system investments.[6]

- Principle 3: The need for greater access to operational and market planning data. This is key to establishing competitive neutrality and fairness.[7]
- Principle 10: The need to provide neutral marketplace coordination.[8]
- Principle 12: The need to avoid conflicts of interest through functional separation.[9]

III. CONCLUSION

AReM appreciates the opportunity to provide these preliminary comments and looks forward to participating in the ongoing discussions.

Respectfully submitted,

Sue Mara
RTOADVISORS, L.L.C.
164 Springdale Way
Redwood City, CA 94062
Telephone: (415) 902-4108
E-mail: sue.mara@rtoadvisors.com

Consultant to
ALLIANCE FOR RETAIL ENERGY MARKETS

September 5, 2014

[6] OIR, Appendix B, *More Than Smart,* page 11.
[7] OIR, Appendix B, *More Than Smart,* page 11.
[8] OIR, Appendix B, *More Than Smart,* page 19.
[9] OIR, Appendix B, *More Than Smart,* page 19.